

South Carolina Board of Economic Advisors

Statement of Estimated Revenue Impact

Date: March 27, 2008

Bill Number: S. 718 (As Amended by Senate Judiciary 3/26/08)

Author: McConnell and Grooms

Committee Requesting Impact: Senate Judiciary and Finance Committees

Bill Summary

A bill proposing an amendment to Section 7, Article X of the Constitution of South Carolina, 1895, relating to the requirement for the State and its political subdivisions to have budget processes designed to keep revenues and expenditures in balance, the limitation on state appropriations, and the limitations on state employees, so as to delete the existing state spending limitation and require the general assembly to replace it by a law providing a limit on state spending for a fiscal year that equals the total of state appropriations in the prior year increased by the total percentage of increases in state personal income and state population in the most recent year for which this information is available and provide that the General Assembly in enacting this limit shall define the appropriations to which the limit applies, and the method of and sources for calculating the limit.

REVENUE IMPACT ^{1/}

This bill would have no effect on state General Fund revenue. Cyclical economic conditions will require allocations to or from the proposed Budget Stabilization Fund depending on whether growth in the General Fund is above or below the annual average percentage change in revenue collections during the previous ten fiscal years.

Explanation

This bill, subsequent to a positive referendum and passage of enabling legislation, provides that General Fund revenue available for appropriations is limited to the prior year's revenue increased by the average of the percentage growth in revenue collections during the previous ten fiscal years. Revenue collections above this limit shall be allocated to a Budget Stabilization Fund. The bill provides for withdrawals from the Fund in years when revenue collections fall below the ten-year annual average growth rate. Additionally, the bill establishes that the maximum balance in the Fund shall not exceed 15% of the prior year's General Fund collections. Withdrawals for emergencies declared by the General Assembly or appropriation of Fund balances greater than fifteen percent of the prior year's collections shall be by majority vote. Any other withdrawals will require a two-thirds vote in each branch of the General Assembly.

/s/WILLIAM C. GILLESPIE

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact, or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.